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1951

OIR/DRF Contribution to SE-20:

THE EFFECT ON THE COMMITMENTS OF CERTAIN
US COURSES OF ACTION

December 3, 1951

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OIR Contribution to SE-20:

THE EFFECT ON THE COMMUNISTS OF CERTAIN US
COURSES OF ACTION

Introductory Note: Because of the military nature of the courses of action posed, OIR in preparing its contributions to SE-20 has found it necessary to depart from its normal procedure of limiting contributions to non-military matters and has in this case included in its discussion items of purely military character. In the event OIR's speculations on such military matters differ from those of the Department of Defense, OIR, of course, defers to the Department of Defense.

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OIR Contribution to SE-20:

THE EFFECT ON THE COMMUNISTS OF CERTAIN
US COURSES OF ACTION

I. Major Offensive Using all Available Weapons.

If the US should press the war in Korea more vigorously, using all available weapons -- including atomic -- the Communists would probably estimate that the US sought at a minimum to seize all Korea. It is highly unlikely that the USSR and Communist China could afford the loss of Korea through military operations without taking drastic counter-measures, since they would undoubtedly interpret such a situation as posing grave problems for their security.

The initial Chinese Communist reaction to a vigorous US offensive would probably be to intensify operations. Thereupon, depending upon the success of the US offensive, the Chinese Communists would seek increased Soviet aid, possibly including the invocation of the Sino-Soviet Pact. Failing to secure such aid, the Chinese Communists would soon be compelled to attempt renewal of peace negotiations or withdraw from Korea. It is unlikely that the Chinese Communists would attempt to reduce pressure in Korea by launching diversionary operations in southeast Asia or against Taiwan.

The USSR probably would not idly watch a Korea and would, therefore, probably increase its aid to Sino-Korean forces to the extent necessary to prevent a Communist defeat even to the point where a de facto local war would exist between the US and the USSR. As a first measure and as necessary the USSR could be expected to commit air force and anti-aircraft units to the defense of Manchuria although probably attempting to cloak these units as Chinese and/or "volunteer" forces.

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II. Shipping Embargo and Naval Blockade

D. It is unlikely that any of these three courses of action, on the basis of their effects upon the Chinese Communist economy, would impel the Communists to take drastic military action to counter these measures. A naval blockade, however, would increase the danger of hostilities with the USSR. On the basis of the Sino-Soviet Treaty of 1950, the USSR has treaty rights to free use of Port Arthur as a naval base and control over the port of Dairen. Therefore, if Port Arthur and Dairen were included in the blockade the Soviet Union would undoubtedly consider stoppage of its ships a hostile act and, at least, would make issue of this action before competent international bodies.

The USSR would try to step up the flow of supplies from itself and its European satellites to Communist China. The USSR would probably intensify its efforts to offer attractive trade terms to non-Communist countries in order to counter an embargo and blockade and to undermine US moves to secure compliance with these measures. Unless these measures had serious economic effects on Communist China, it does not appear probable that the USSR would openly attempt to break even a full-scale blockade by force. It might, however, resort to covert use of submarines and mines.

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III. Bombing Attacks Throughout China

A. A systematic US air and naval bombardment of Communist China would result in drastic reduction in the Chinese Communist war-making potential, serious disruption of lines of communication, practical elimination of the industrial segment of the Chinese economy, and serious strain on the Chinese Communist capability for administrative control of the country.

B. The Chinese Communists would exploit to the fullest the propaganda opportunities afforded by US air and naval bombardment of China proper and would, as necessary, probably seek increased Soviet assistance. Soviet air units, if committed, would probably be employed in defensive activities and initially probably on a covert basis only, while Soviet submarines would seek to interdict US naval units. If capable, Chinese Communist air units would probably be used offensively in attacks against US bases of operation in Japan, the Ryukyus, and on Taiwan.

If the bombardment were to threaten their administrative control of or drastically curtail the movement of troops in south China by serious disruption of communications the Chinese Communists might evacuate their forces from south China in order to establish a hard core in the north.

If Communist control of any area should break down as a result of communications difficulties, latent anti-Communist sentiment in the area would probably coalesce around guerrilla forces or other leaders who might assert themselves. But it is unlikely that such a movement would gain momentum until a major invasion of the China mainland by anti-Communist forces were effected.

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Popular reaction to US bombing operations would depend on the nature of the operations and on a number of other variables, such as dislike for the Communist regime and the residue of good-will toward the US. Prior to the Nationalist air attacks on Shanghai in February 1950, US observers in Shanghai had estimated that if Chinese Nationalist planes were to bomb targets in the Shanghai area popular reaction probably would be directed against US nationals. However, when those raids actually did take place, some of considerable destructive proportions, in spite of inflammatory Communist propaganda, no hostility toward the US or US nationals was observed and many Chinese were actually seen on the streets cheering on the attacking planes. Thus in the event of heavy US bombardment, if systematically directed only at military and strategic targets and not carried out indiscriminately, in spite of the inevitable Communist propaganda, reaction probably would not be adverse. Negative attitude toward the regime has grown markedly during the past year. Thus numerous elements of the population who harbor resentment toward the regime would probably welcome the attacks. When compared with the numbers already purged by the Communist regime, civilian casualties in such raids probably would not appear too extreme and if the operation gave promise of ultimate elimination of tyranny and the establishment of a popularly acceptable government, genuine anti-American sentiment probably would not be stimulated.

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IV. Support of Guerrilla Operations

A. Guerrilla activities on the China mainland have been substantially reduced as a result of the anti-guerrilla campaign carried out by the Communist regime during the past year. Particularly significant has been the elimination of key guerrilla leaders and potential leaders. Nevertheless, some guerrilla forces still operate in the mountainous areas of southwest and south China and along the southeast China coast. The capability of these forces, however, is limited to that of harassing Communist lines of communication and impeding the program of political consolidation.

In the event of a Nationalist landing on the China coast, it is likely that guerrilla units would move cautiously; if, after a period of waiting to determine the scope and nature of the landing operation, it appeared that prospects for success were good, cooperation of pro-Kuomintang guerrilla organizations could be expected, beginning gradually and mounting in direct proportion to the successful development of the operation.

The limited capability of the guerrillas could not be substantially increased by external materiel aid alone. A Nationalist invasion (without direct US participation) would provide a rallying point around which many pro-Kuomintang guerrillas would probably coalesce but, short of a US operation, it is unlikely that even in conjunction with the Nationalists the guerrillas could soon become a threat to the stability of the Communist regime. It is not likely that many non-Kuomintang guerrillas would be attracted by a purely Nationalist operation, although non-Kuomintang guerrillas might be expected to take advantage of any diversion of Communist forces occasioned by a Nationalist operation against the mainland.

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B. As soon as it became evident to the Chinese Communists that guerrilla activities were on the increase anti-guerrilla operations would be intensified, especially if it became evident that guerrilla forces were being strengthened by external support. At present the guerrilla situation is under such control that the Communists, except in a few isolated areas, have replaced regular troops by local militia in the conduct of the anti-guerrilla campaign. Should the militia be incapable of coping with the situation in any given area regular forces would be quickly committed in numbers adequate to accomplish the mission.

In addition to firm military measures the Communists would probably also initiate a program of terrorism to discourage support of or participation in the guerrilla movement.

These measures would probably be adequate to allow the Chinese Communists to maintain control of the situation and would not require an appeal to the USSR for any substantial increase in assistance.

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V. Chinese Nationalist Attack with US Logistic Support

A. If US aid to the Chinese Nationalists on Taiwan were expanded so as to provide materiel needed for existing ground, air, and naval forces plus such manpower as could be recruited on Taiwan, the Nationalists, after the minimum period of time required to train its invasion forces, probably could establish a sizeable bridgehead on the China coast without further US participation. Whether or not a bridgehead could be consolidated and expanded into a successful invasion would depend to a great degree on the reliability of the Nationalist armies, on the Nationalists' ability to stimulate defection on the mainland, and on the Nationalists' ability to organize, train, and equip sizeable forces on the mainland.

The size of military forces which could be organized on Taiwan would be limited by the island's population and economic resources. Under no circumstances could the Nationalists approach the Communist military manpower; hence, without active US participation, the Nationalists would have to depend on mainland augmentation of forces for a successful invasion, including possibly even the defection of one or more major Communist military units.

Discontent on the mainland appears to be strong and still mounting, both within and outside the Communist governmental organizations. Many potential dissidents would be strongly tempted to defect, as opportunity arose, to a successfully established anti-Pei-p'ing movement which clearly offered some voice and place for all groups and leaders ready to support the free China cause, but they would probably not be attracted by any establishment closely identified with the Kuomintang leadership and system. Consequently, a purely

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Kuomintang operation would almost certainly fail to attract the necessary mainland participants and, therefore, a Nationalist invasion with only US logistical support would ultimately fail and would result merely in the waste of Nationalist manpower.

B. The Chinese Communists would initially meet the invasion with the forces available in the invaded area. Additional forces probably would not be rushed into the area until the scope and nature of the invasion was determined and the extent of US participation were assessed. Since US forces would not be involved, the USSR might conclude that its own air and submarine forces could be used to counter the invasion without serious risk of conflict with the JS. However, the USSR would probably attempt to keep such intervention covert. In spite of commitment in Korea, the Chinese Communists probably possess the military manpower to contain a Nationalist landing and to maintain order within China but would require greatly increased Soviet materiel aid. Soviet aid would probably be substantially increased but so long as US forces were not directly involved in the invasion the USSR would probably limit its direct participation to the covert employment of air and submarine units. Officially Moscow would probably maintain an attitude of non-intervention but would try to arouse world and especially Asian public opinion on behalf of Pei-p'ing against "US aggression."

To some extent, Moscow might not be averse to a Sino-US conflict which might increase Pei-p'ing's dependence on the USSR and keep US troops bogged down in a long, indecisive war. However, Moscow probably would not welcome such a development insofar as it involved a threat to the Pei-p'ing regime,

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placed excessive strains on the Sino-Soviet alliance and/or brought about direct Soviet involvement with the attendant risks of global war.

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VI. Chinese Nationalist Invasion with US Logistic, Naval, and Air Support

A. A Nationalist invasion with US logistic, naval, and air support would probably be construed by Pei-p'ing and by the Kremlin as an indication of a US determination to destroy the Chinese Communist regime. Judging from the sequence of developments in the Korean war, US support of the type indicated would be regarded as a prelude to participation in the invasion effort by US ground forces. In that case the Chinese Communists, despite bold propaganda claims and the evidence of long, unbending Chinese resistance to the Japanese, would probably estimate their survival potential as a de facto government, without full Soviet intervention, including participation of Soviet ground forces, to be low.

B. The Chinese Communists would probably immediately invoke the Sino-Soviet Pact by pressing the USSR to enter the Far Eastern conflict on a war-basis. If the Communists failed to contain the initial beachhead they would probably withdraw inland from the invasion area in order to concentrate their strength and to lengthen the invaders lines of communication. In order to retain the identity of an organizational nucleus, they would continue the withdrawal procedure as far as hostile pressure would require.

Moscow would almost certainly regard a strong US supported Nationalist invasion as a serious threat to its security interests in the Far East; consequently, when it became evident to the Kremlin that Communist control of north China and Manchuria appeared seriously threatened the USSR probably would do whatever was required to uphold the regime, regardless of the risk involved and including, as a last resort, the open commitment of Soviet forces

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against US forces. However, so long as Chinese countermeasures were successful, Moscow would probably prefer to maintain the fiction of non-intervention.

It is likely that a successful invasion, in which the US was an integral, active element, would attract an increasingly large segment of mainland dissidents and would have more appeal for potential dissidents than would an operation narrowly identified with the Kuomintang. Some influential dissidents with strong personal prejudices, however, would steadfastly refuse to defect and it is uncertain whether key Communist military leaders, who may at present be unhappy with developments on the mainland, would defect to an invading force that included Kuomintang elements.

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VII. The Cumulative Effect of Several or All of these Courses of Action

A. If the Korean war should continue, the Chinese Communist regime would probably be confronted with increasing domestic problems such as inflation, popular disaffection, the need for tightening of administrative controls, peasant problems, and even dissidence among Chinese Communist leaders, all of which might seriously impair the Chinese Communist capability alone to counter any combination of the measures discussed above. The Chinese Communists would probably be most vulnerable to an intensification of the Korean War (I) coupled with a heavy naval and air bombardment of China (III), a naval blockade (II), and a Chinese Nationalist invasion with US logistic, naval, and air support (VI); such a combination might shake the foundations of the Pei-p'ing Government and would threaten the detachment of territory from China unless the character of Soviet aid should alter substantially. The regime would probably be least vulnerable to a combination of embargo or blockade (II) and increased external support of mainland guerrillas (III).

B. Communist reaction to any combination of the above courses of action would be determined by the degree of threat inherent in any combination. Any combination of actions which included the continuation of war in Korea would compel the Chinese Communists to turn to the USSR for increased aid, the degree and type depending on the courses taken. So long as Chinese Communist forces were considered sufficient to neutralize or contain the courses of action it is likely that, in order to localize the conflict and to reduce the risk of global war, Soviet aid would be limited to materiel and covert air and possibly naval assistance (increased in proportion

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necessary to counter the US/Nationalist measures taken). Only in the event that Moscow believed that Soviet security interests in the Far East were threatened would the Kremlin be likely to take drastic measures; in that event the USSR probably would do whatever was required to uphold Communist control of northern Korea and of Manchuria and North China, regardless of the risk involved and including, as a last resort, the open commitment of Soviet forces against US forces.

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ANNEX I: TRADE OF COMMUNIST CHINA IN 1951

Table I provides an approximation of the trade of non-Communist countries with Communist China through (1) listing the trade of non-Communist countries with Hongkong and China; (2) deducting the trade of each country with Hongkong as shown in the Hongkong trade returns; and (3) adding the direct trade of Hongkong with China. This table indicates that during January-June 1951, non-Communist countries exported \$325 million to, and imported \$135 million from, Communist China.

If these data are adjusted to include or exclude appropriate transport costs and to allow for time lags in transit, it is probable that the estimate of Chinese Communist imports would be larger, and the estimate of exports smaller, than indicated by the above totals. Assuming these adjustments at 10 percent of the trade values, Chinese Communist trade with non-Communist countries during January-June 1951 could be roughly estimated at imports of \$360 million and exports of \$120 million, and may be compared with the 1950 trade estimates,¹ as follows:

**COMMUNIST CHINA'S TRADE WITH NON-COMMUNIST COUNTRIES
(in millions of US dollars)**

	Imports	Exports	Trade Balance
Jan.-June 1950	\$112	\$170	/ \$58
July-Dec. 1950	302	230	- 72
Jan.-June 1951	360	120	= 240

1. Cf. IR-5677, A New Estimate of Communist China's Foreign Trade in 1950, November 19, 1951, Confidential.

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While China has normally been able to finance an import balance through the receipt of overseas Chinese remittances, and this capability has been temporarily enhanced through official purchases or seizures of private hoards of precious metals and foreign currency, it is probable that the financing of the import balance in the first half of 1951 has sharply reduced the exchange balances available to the Chinese Communists. The Chinese Communists have admitted officially that exchange balances were drawn down in 1951 ostensibly as a hedge against inflation in the west, while Hongkong merchants have expressed the belief that foreign exchange shortages were responsible in part for a decline in the activities of Chinese Communist purchasing agencies in Hongkong during the last half of 1951.

Table I indicates that approximately two-thirds of the trade of non-Communist countries with China was conducted through Hongkong. Table II shows Hongkong's recorded exports to Communist China for the first three quarters of 1951. The decline in the third quarter exports was sharp, and was concentrated in the crude rubber and the metals and metal manufactures categories.

The importance of Hongkong in the trade of Communist China warrants an examination of the size and structure of Hongkong's trade. Table III shows the composition of Hongkong's trade from 1949 through the third quarter of 1951. The total value of Hongkong's trade increased over this period up to the first quarter of 1951, but declined in the second and third quarters of 1951 to the lowest dollar value since the beginning of the Korean war. If adjustments for price increases in terms of US dollars were made, it is probable that trade volume in the third quarter of 1951 would be smaller than the average quarterly trade in 1949. Similarly the data in Table IV shows that ocean shipping tonnage and cargo tonnage in Hongkong's foreign trade in the third quarter of 1951 were the smallest of any period since 1949.

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Recorded imports of Hongkong are believed to reflect accurately total imports, since there has been little incentive to evade customs inspection of imports in this free port (at least until June 1951 when import controls over imports were instituted to implement export controls). There is, however, in addition to recorded exports, a certain but unknown amount of export smuggling to China, encouraged formerly by high Chinese import tariffs and at present by Hongkong export restrictions.

While it is not possible to estimate the level of smuggled exports with any accuracy from present information, it is perhaps worthwhile to examine the disposition of Hongkong's imports in an attempt to obtain some impression of the probable magnitudes of smuggled exports. Table V is a crude estimate of the flow of trade through Hongkong which begins with the known imports, deducts estimated Hongkong consumption, and adds the value added by Hongkong industry and commerce to exports to obtain total goods available for export. The deduction of recorded exports from this figure would, if accurate, reflect either smuggled exports or an increase in commercial stocks in Hongkong. From January 1949 to September 1951 this residual figure is shown in Table V at an annual average of \$20 million. While no brief is held for the accuracy of this figure, any substantial increase in its magnitude would logically involve changes in what are believed to be reasonable estimates of Hongkong consumption of imported goods and the export mark-up of imported goods. The data suggest that smuggling in the first half of 1951 involved a more than commensurate reduction in commercial stocks in Hongkong.

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The Chinese Communists have made few statements concerning their foreign trade in 1951, and these are poorly defined and ambiguous. On October 1, 1951, data in percentage form was published on Communist China's foreign trade "to date" which, if reflecting bona fide customs data, could have referred to no more than the first seven months of the year.

Exports were stated to have increased over the whole of 1950 by 26 percent according to one translation and by 126 percent according to another. The increase may also have been measured in US dollars rather than Chinese currency (which appreciated in terms of US dollars by nearly one-third between 1950 and 1951) in order to exaggerate the percentage increase in export values.¹ With 1950 exports placed at US \$575 million or CMP 18.8 billion on the basis of previous Chinese Communist data, exports during January-July 1951 may have been:

- (1) US \$725 million - increase of 26 percent of US dollar value.
- (2) \$1,130 " - " " " " Chinese Yuan "
- (3) \$1,300 " - " " 126 " " US dollar "
- (4) \$2,025 " - " " " " Chinese Yuan "

1. It is presumed that this data refers to the first seven months of 1951, although it is possible that it could refer to the first nine months with trade estimates for the last two months. In the latter case, the export estimate developed below for seven months would be that for nine months, but the import estimate for nine months would be increased over the estimate developed below for seven months, resulting in a substantial increase in the import balance.

2. The expression of trade values in terms of US dollars would not be illogical, since the Sino-Soviet loan and barter trade agreements are allegedly stated in US dollar values.

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Exports to non-Communist countries were stated to be 22 percent of the total exports. On the first estimate above, such exports would amount to \$160 million and would be roughly compatible with the trade data of non-Communist countries. The other three estimates are not compatible with the trade data of non-Communist countries nor are they consistent with available information regarding China's export capabilities.

Imports from non-Communist countries were stated to have been 30 percent of total imports. On the basis of available trade data from non-Communist countries, it may be estimated that such imports (including smuggling) may have amounted to \$420-\$450 million, and that total imports then amounted to \$1,400-\$1,500 million.

It may be noted that, in contrast to the publicity over the 1950 foreign trade in which the export balance was emphasized as an indication of Communist China's economic strength and independence, there has been no indication of the relation of exports to imports in 1951 or the relation of 1951 imports to 1950 imports. This marked silence suggests that there has, in fact, been a large increase in imports with resulting significant import balance.

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The trade of Communist China, on the basis of these estimates, would be as follows:

(in millions of US dollars)

Period	Soviet bloc		Non-Communist Countries		Total Trade	
	Imports	Exports	Imports	Exports	Imports	Exports
1950, Jan/June	17	52	112	170	129	222
1950, July/Dec	94	123	302	230	396	353
1951, Jan/July	980-1,050	565	420-450	160	1,400-1,500	725

Intelligence reports from Communist China indicate that the prices used in the barter trade agreements between China and other Communist countries are generally inflated over world prices. With the bulk of 1951 trade coming under such barter trade agreements, it is probable that import and export values have been exaggerated to some extent.

Nevertheless, these figures indicate a tremendous growth in imports, a continued expansion of exports, and the existence of a very large import balance. Imports of US \$1 billion from the Soviet bloc during January-July 1951 were probably composed almost entirely of military material. Although there is evidence of some Soviet products such as petroleum, appearing in civilian markets these would amount to only a small fraction of the indicated import values. An expansion of exports over 1950 levels is not unreasonable following the considerable improvement of the normal 1950 farm production over the disastrous 1949 harvests, but it is unlikely that total 1951 exports would exceed US \$1 billion, an increase of three-quarters over 1950. The January-July 1951 export values, then, may be over-valued or may reflect abnormal shipments in the first half of the year which cannot be maintained in the second half of the year.

The import balance with both the Soviet bloc and the non-Communist countries is considerably in excess of any reasonable estimate of China's available exchange resources and suggests that China has received substantial Soviet assistance in financing this import balance. While the exhaustion of China's exchange resources would not necessarily limit China's ability to import from non-Communist countries, it does increase China's dependence upon the Soviet Union for financial assistance to maintain imports from both the Soviet bloc and non-Communist countries, and would therefore increase Soviet influence over the direction of China's foreign trade.

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Table 1. ESTIMATE OF TRADE OF NON-COMMUNIST COUNTRIES WITH COMMUNIST CHINA,
JANUARY-JUNE 1951
(In millions of US dollars)

Country	Exports to China, Hongkong	Hongkong imports, less cif	Direct Exports to China	Imports from China, Hongkong	Hongkong exports, ^a plus cif	Direct Imports from China
Denmark	4.1	5.0	--	2.7	4.1	--
The U.S.	13.1	29.6	--	40.8	27.7	12.9
The UK	55.5	44.8	10.7	29.9	35.4	--
France	12.5	11.6	.9	13.5	8.4	5.2
Benelux	15.4	11.8	3.6	11.5	8.4	2.9
Switzerland	13.1	9.8	3.3	8.9	8.5	.4
W. Germany	18.8	15.7	1.1	17.8	9.7	8.1
Italy	8.4	8.2	--	8.5	5.2	3.3
The Netherlands	7.5	7.9	--	4.8	8.0	--
Sweden	3.5	3.8	--	5.4	1.8	3.0
Norway	2.3	2.1	.2	1.1	.9	.2
Denmark	negl.	1.3	--	5.4	1.3	4.2
				19.8		30.7
Egypt	n.a.	2.0	--	n.a.	1.6	--
Indochina	4.1	2.3	1.8	2.5	2.5	--
India	28.5	16.5	12.0	4.8	17.6	--
Pakistan	n.a.	15.0	31.0 ^b	n.a.	18.5	--
Japan	52.7	53.2	--	17.6	36.9	--
Malaya	92.2	43.4	48.8	41.0	69.2	--
Australia	9.0	7.6	1.4	3.3	7.4	--
Indonesia	2.1	6.6	--	19.3	8.6	10.1
Ceylon	n.a.	.3	--	.4	.3	.1
				95.0		76.2
Hongkong				210.5		83.7
Total				325.3		136.2

^{a.} C.i.f. costs estimated at 10 percent of trade for Europe and Western Hemisphere and 5 percent for Asia and Near East. January-June trade of third countries is compared with the six-month's trade of Hongkong for the period indicated by the estimated time-lag of goods in transit, as follows: Two months for Europe, Western Hemisphere; one month for Asia, Near East, Oceania, except for Indochina and Japan where trade is compared for the same months.

^{b.} Trade data not available for the period, but Karachi cotton reports indicate direct exports of 118,982 bales of cotton, valued at about US \$31 million, to Communist China.

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Table 2. HONG KONG EXPORTS TO CHINA, By Selected Groups and Commodities,
January - September 1951

	Unit	Volume			Value (in \$US million)		
		Jan-Mar	Apr-Jun	Jul-Sep ^a	Jan - Mar / Apr	Apr - Jun / Jul	Jul - Sep ^a
Foodstuffs							
Refined sugar	000 piculs ^b	171	33	9	3.4	1.7	2.6
Raw materials							
Natural indigo	"	36	22	16	79.1	5.6	46.2
Nitrates (fertilizer)	"	270	570	275		1.9	3.1
Crude rubber	"	464	158	--		38.9	14.6
Motor tires	pieces	23,000	278	150		2.8	*
Newsprint	000 piculs	191	78	191		1.6	.6
Cartiles							
Gumby bags	000 pieces	1761	1549	764	8.8	4.2	6.6
Metals, mfrs.							
Iron & steel:							
Bars, rods	000 piculs	487	468	12	25.5	32.5	8.3
Wire	"	84	94	5		4.7	5.0
Galvanized sheets	"	25	57	1		1.1	1.3
Plates over 1/8"	"	144	203	1		.6	1.5
Pipes	"	81	115	9		2.7	4.5
Textile							
Machinery	--	n.a.	n.a.	n.a.		.7	1.6
Motor vehicles and chassis	units	485	245	10		.9	.4
Motor vehicles and parts	--	n.a.	n.a.	n.a.		2.1	5.9
Other					5.5	5.7	3.8
Total					120.3	90.2	51.9

a. Five group totals are for July-September. Sub items are July-August only.

b. Picul = 60 Kg.

* Less than US \$50,000.

Note: Hongkong dollars converted to US dollars at the following estimated open market rates (per US dollar): Jan-Mar 1951, HK \$6.00; Apr-June 1951, HK \$6.20; July-Sept 1951, HK \$6.40.

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Table 3. COMPOSITION OF TOTAL HONGKONG TRADE,
(quarterly rates 1949, 1950, January-September 1951
(in millions of US dollars)^a

<u>Imports</u>	Total	Foodstuffs	Raw Materials	Textiles	Metals & Mfrs.	Other
Calendar 1949	121.7	24.9	46.9	23.6	16.5	9.8
First half, 1950	132.9	26.3	53.3	21.2	16.9	7.2
Second half, 1950	170.4	37.0	73.4	33.3	10.7	16.0
January-March 1951	222.2	35.4	100.7	49.0	26.7	10.4
April-June 1951	203.1	34.6	89.3	37.0	29.5	12.7
July-September 1951	158.2	32.9	61.6	26.2	26.1	11.4
 <u>Exports</u>						
Calendar 1949	102.7	14.7	40.7	28.7	9.6	9.0
First half, 1950	114.2	16.2	42.9	35.9	12.6	6.6
Second half, 1950	183.5	19.5	79.0	48.4	12.6	23.8
January-March 1951	258.2	27.7	116.2	59.6	37.1	17.6
April-June 1951	206.0	16.3	80.3	46.5	43.1	19.8
July-September 1951	126.9	16.6	51.4	32.3	16.3	10.3

^a. Hongkong dollars converted to US dollars at the following estimated open market rates (per US dollar): 1949, HK \$5.65; 1950, HK \$6.25; Jan-Mar 1951, HK \$6.00; Apr-June 1951, HK \$6.20; July-Sept 1951, HK \$6.40.

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Table 4. SHIPPING IN THE HONGKONG TRADE
(Quarterly rates in thousands of metric tons)

<u>Ocean Shipping</u>	Arrivals			Departures		
	No. Ships	NR Ship Tonnage	Cargo	No. Ships	NR Ship Tonnage	Cargo
1949	947	2,473	817	913	2,440	384
1950	861	2,291	960	873	2,307	557
1951 - Jan-Mar	763	1,985	794	765	2,039	555
Apr-June	708	2,001	863	715	1,991	441
July-Sept	693	1,898	715	699	1,993	324
<u>River Shipping</u>						
1949	1,011	490	25	1,008	489	31
1950	843	624	24	843	622	27
1951 - Jan-Mar	540	487	13	535	485	20
Apr-June	548	482	10	546	479	23
July-Sept	586	482	9	592	489	33

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Table 5. TENTATIVE ESTIMATE OF THE FLOW OF TRADE THROUGH HONGKONG^a
(in millions of US dollars)

	1949	1950	Jan.- June 1951	July- Sept. 1951
Recorded imports	487	606	426	158
Less: Hongkong consumption ^b	<u>109</u>	<u>153</u>	<u>86</u>	<u>44</u>
Imports available for reexport	378	453	339	114
Plus: Export markup ^c	57	114	84	28
HK export mfrs.	<u>16</u>	<u>31</u>	<u>28</u>	<u>11</u>
Available exports	451	598	451	153
Less: recorded exp's to areas other than China and Macau	<u>283</u>	<u>328</u>	<u>254</u>	<u>75</u>
Available exports for China, Macau	168	270	197	78
Recorded exports to China, Macau	<u>127</u>	<u>257</u>	<u>210</u>	<u>52</u>
Smuggled exports or changes in HK comm. stocks ^d	41	3	-13	26

a. Hongkong dollars converted to US dollars at the following estimated open market rates per JS dollar: 1949, HK \$5.65; 1950, HK \$6.25; Jan.-June, 1951, HK \$6.10; July-Sept., 1951, HK \$6.40.

b. Hongkong consumption estimated as follows: Food imports less half of food exports (representing the estimated import content of food exports); estimated consumption of imports of consumer goods manufactures of \$10 per annum per capita; business consumption of imported fuels, raw materials, and capital goods of \$20 million in 1949, \$30 million in 1950, and \$40 million in nine months of 1951 (a growth proportionate to that of Hongkong exports of local manufactures).

	1949	1950	Jan-Jun 1951	Jul-Sept 1951
Food imports	100	127	70	33
Half, food exp.	<u>29</u>	<u>26</u>	<u>22</u>	<u>8</u>
Consumption:				
Food imports	71	101	48	25
Imports, consumer mfrs.	18	22	11	6
Imports for business consumption	<u>20</u>	<u>30</u>	<u>27</u>	<u>15</u>
Total	109	153	86	44

Footnotes c. and d. continued on next page.

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Footnotes continued (for Table 5).

- c. Export mark-up estimated at 15 percent in 1949 when trade conditions were relatively poor, and at 25 percent in 1950 and 1951.
- d. This is a residual figure of which the two main components would be smuggled (unrecorded) exports to China and changes in Hongkong commercial stocks. It is believed that commercial stocks were increased through 1949 and the first half of 1950 and were drawn down in the last half of 1950 and the first half of 1951. Unrecorded exports have probably increased steadily.

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